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Including Professional Corporations
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Attorneys for BO1BO2 United Management,
LLC; Beach Orangethorpe, LLC; and
Beach Orangethorpe II, LLC

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re
THE SOURCE HOTEL, LLC, a California
limited liability company,

Debtor and Debtor in
Possession.

Case No. 8:21-bk-10525-ES
Chapter 11

**DECLARATION OF LEO ZHOU IN
SUPPORT OF LENDERS' OBJECTION
TO ASSUMPTION AND ASSIGNMENT
OF EXECUTORY CONTRACT**

Hearing
Date: September 30, 2021
Time: 2:00 p.m.
Place: ZoomGov

I, Leo Zhou, declare as follows:

1. I submit this declaration in support of the *Lenders' Objection to Assumption and Assignment of Executory Contract* (the "Objection") filed contemporaneously herewith.

Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Objection. Unless stated otherwise, the facts stated in this declaration are known to me personally and, if called upon to do so, I could and would testify under oath to the truth of such facts.

2. I am the Chief Executive Officer of BO1BO2, the Class B Manager for BO1 and BO2. BO1BO2 was recently appointed as the Collateral Agent for the Source at Beach Lenders.

1 3. I have extensive experience in the area of real estate finance. In June 2009, I co-
2 founded American Lending Center, LLC ("ALC"). ALC has over \$400 million of senior
3 commercial real estate loans in portfolio and has financed projects in over 20 states since its
4 establishment. Prior to co-founding ALC, I had 10 years of experience working in private banking
5 and small business financing at a large U.S. money-center bank. In March 2021, various investors
6 in BO1 and BO2 formed BO1BO2 to act as successor Class B Manager to BO1 and BO2,
7 replacing the existing manager – Quintus Investment Management (Hong Kong) Limited. Shortly
8 thereafter, I was appointed as the Chief Executive Officer of BO1BO2. This month, BO1BO2
9 became the Collateral Agent for all of the Source at Beach Lenders.

10 4. In my position as Chief Executive Officer of BO1BO2, my responsibilities include
11 overseeing and managing the business relationship between BO1 and BO2, on the one hand, and
12 the Project Owner on the other, as well as overseeing issues relating to collateral pledged to the
13 Source at Beach Lenders. This collateral includes the collateral described in the Deeds of Trust,
14 copies of which are attached as Exhibits B-1, B-2, B-3 and B-4 to the Objection (the "Real Estate
15 Collateral").

16 5. The facts set forth this Declaration are within my own personal knowledge or
17 known to me based upon my review of the documents, electronic files, computer records, logs and
18 other materials that BO1BO2 maintains in connection with its business operations (collectively,
19 the "Records"). The Records include documents and electronic material related to and generated
20 in connection with BO1BO2's business activities as well as and certain publicly recorded
21 documents listed in the preliminary title report attached as Exhibit C to the Objection (the "Title
22 Report").

23 6. BO1BO2 maintains comprehensive paper and electronic record management
24 systems in which papers, imaged documents, computer files, email communications, and other
25 electronic files are organized, maintained, stored and accessed on a regular basis as BO1BO2
26 personnel, including myself, do our jobs. While performing my work for BO1BO2, I have spoken
27 with accountants and other agents and representatives, confirming that the Records accurately
28 reflect the current status of affairs of Project Owner and the Real Estate Collateral. Because

1 BO1BO2 was appointed Class B Manager of BO1 and BO2 earlier this year, most of the Records
2 were provided to it by the former Class B Manager – Quintus Investment Management (Hong
3 Kong) Limited. Additionally, because BO1BO2’s appointment as Collateral Agent occurred this
4 month and, the information that I possess regarding the Real Estate Collateral pledged in favor of
5 BO3 and BO4 is based solely on the Deeds of Trust and the Title Report. It should be noted that
6 the factual basis for the arguments set forth in the Objection are primarily set forth in publicly
7 recorded documents and/or documents that are in the possession of the Debtor, the contents of
8 which should not be in dispute.

9 7. To the extent that the Records include documents which I did not personally
10 prepare, receive, or review, I am informed and believe that such documents were prepared,
11 reviewed, or received by BO1BO2 employees, representatives, or counsel with knowledge of the
12 acts, events, or conditions, recorded at or about the time of the events described within such
13 documents, and in the ordinary course of BO1BO2’s business operations. Alternatively, I
14 understand that materials within the Records were prepared, reviewed, or received by employees,
15 representatives, or counsel working for a predecessor to BO1BO2 with knowledge of the acts,
16 events, or conditions, recorded at or about the time of the events described within such documents,
17 and in the ordinary course of that entity’s business operations. BO1BO2 personnel, including me,
18 rely heavily on the Records – and in particular, our electronic records systems – to conduct our
19 business and operations. Except as specifically described above, the documents referred to
20 throughout this Declaration constitute business records of BO1BO2, which are kept and recorded
21 in the ordinary, regular course of business, at or about the time of the events that they accurately
22 portray. I have responsibility for and personal knowledge of the maintenance of such business
23 records. Based on my personal knowledge and experience, I know that the Records prepared by
24 BO1BO2 personnel are accurate and trustworthy and I understand that the Records prepared by
25 predecessors of BO1BO2 are also accurate and trustworthy.

26 8. On or about April 6, 2015, the Project Owner, as lessor, and the Debtor, as lessee,
27 entered into the Ground Lease, a true and correct copy of which is attached hereto as Exhibit A to
28 the Motion, wherein the Project Owner leased to the Debtor the Hotel Complex Premises (as

1 defined in the Ground Lease) to enable the Debtor to construct a hotel facility and related facilities
2 and amenities subject to the terms and conditions contained in the Ground Lease.

3 9. The Deeds of Trust encumber the Project Owner's fee interest in the entire Source
4 at Beach project, including the Hotel Complex Premises (as defined in the Ground Lease) the
5 adjacent mall and office park.

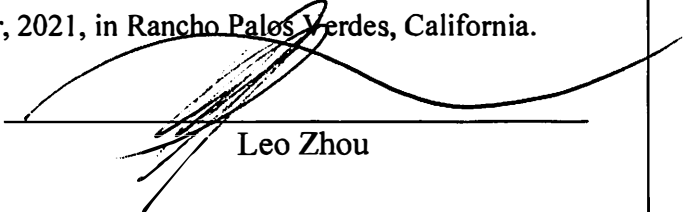
6 10. The Source at Beach Lenders entered into a *Ground Lessor's Consent, Estoppel*
7 *Certificate and Fee Mortgage Agreement*, dated as of April 6, 2015, whereby the Source at Beach
8 Lenders subordinated their interests in the Hotel Complex Premises to the Ground Lease on the
9 terms and conditions set forth therein.

10 11. The Title Report reveals the presence of over forty (40) mechanics liens and *lis*
11 *pendens* on the Source at Beach Project arising from the Debtor's failure to pay hotel construction
12 costs. Unfortunately, the mechanics lien claimants did not limit their liens to the Debtor's
13 leasehold interest in the Hotel Complex Premises. Instead, many of the mechanics liens were filed
14 against the Project Owner and purport to encumber the Project Owner's fee interest in the Hotel
15 Complex Premises and/or other parts of the Source at Beach Project.

16 12. Pursuant to Article 12 of the Ground Lease, the Debtor agreed that "it will pay, or
17 cause to be paid, all costs of labor, services and/or materials supplied in the prosecution of any
18 work, done, or caused to be done, on the Hotel Complex Premises, and [Debtor] will keep the
19 Hotel Complex Premises free and clear of all mechanics' liens and other liens on account of work
20 done for [Debtor] or persons claiming under [Debtor]."

1 I declare under penalty of perjury under the laws of the United States of America
that the forgoing is true and correct.

Executed this 15th day of September, 2021, in Rancho Palos Verdes, California.

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Leo Zhou

PROOF OF SERVICE

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
333 S. Hope Street, 43rd Floor, Los Angeles, CA 90071

A true and correct copy of the foregoing document entitled: **Declaration of Leo Zhou in Support of Lenders' Objection to Assumption and Assignment of Executory Contract** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On September 15, 2021, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- **Ron Bender** rb@lnbyb.com
- **Christopher G. Cardinale** ccardinale@agclawfirm.com, mgonzalez@agclawfirm.com
- **Michael G Fletcher** mfletcher@frandzel.com, sking@frandzel.com
- **Amir Gamliel** amir-gamliel-9554@ecf.pacerpro.com, cmallahi@perkinscoie.com;DocketLA@perkinscoie.com
- **Robert P Goe** kmurphy@goeforlaw.com, rgoe@goeforlaw.com;goeforecf@gmail.com
- **Nancy S Goldenberg** nancy.goldenberg@usdoj.gov
- **Peter F Jazayeri** peter@jaz-law.com
- **Daniel A Lev** dlev@sulmeyerlaw.com, ccaldwell@sulmeyerlaw.com;dlev@ecf.inforruptcy.com
- **Robert K Lu** ewu@reidwise.com
- **Kyle J Mathews** kmathews@sheppardmullin.com
- **Juliet Y Oh** jyo@lnbyb.com, jyo@lnbrb.com
- **Ho-El Park** hpark@hparklaw.com
- **Ronald N Richards** ron@ronaldrichards.com, morani@ronaldrichards.com
- **United States Trustee (SA)** ustpreion16.sa.ecf@usdoj.gov

☐ Service information continued on attached page

2. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL

(state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on September 15, 2021, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

VIA OVERNIGHT MAIL:

The Honorable Erithe A. Smith
United States Bankruptcy Court – Central District of California
411 West Fourth Street, Suite 5040
Santa Ana, CA 92701

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

September 15, 2021

Date

Margaret Tzeng

Printed Name

/s/ Margaret Tzeng

Signature

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.